

Dear Postal Regulatory Commission,

Thank you for the opportunity to provide a point of view on behalf of Epsilon in response to the REVISED NOTICE OF PROPOSED RULEMAKING submitted 12/15/19 from the Postal Regulatory Commission.

Epsilon strongly opposes the lifting of the CPI CAP and any change in rate structure. It is our opinion that the proposed solution facilitates unpredictable and potentially excessive increases in Marketing Mail rates. We believe, a wholesale increase above CPI across all Marketing Mail rates will not yield the intended result of increased revenue for USPS, but rather the exact opposite, making it detrimental to the future of USPS.

Epsilon, a valued partner

Epsilon is an industry leader in the development and execution of Direct Mail, producing over two billion mail pieces annually.

Epsilon has a unique position in the industry as we are a Marketing Agency as well as a Mailer. Epsilon is responsible for developing multi-channel marketing strategies for our clients and has a direct influence on the distribution of our client budget allocations across all channels, including budgetary funds for Marketing Mail. It has been our position that Marketing Mail currently provides positive ROI for our clients while being one of the most expensive channels.

In our role as a Mailer producing Marketing Mail, Epsilon has embraced USPS as a partner and participates in all programs that assist USPS in providing consistent and standardized services to reduce the USPS' operational and financial burden and keep mailing rates sustainable.

- Epsilon recognizes the value of the direct mail channel
- Epsilon was an early adapter to the USPS work-share program, utilizing third-party services for consolidation and postal logistics.
- Epsilon was an early pioneer for the informed Delivery service
- Epsilon has developed a hygiene process to ensure we produce mail with the highest deliverability rate possible.
- Epsilon ensures all mail we produce meets Full-Service requirements.
- Epsilon has developed and implemented ACS programs to further improve deliverability and reduce the burden of return mail processing.
- Epsilon has developed a proprietary system to support the USPS Confirm service by providing clients with visibility to their mail campaign throughout the USPS system.

Support for our point of view

An unpredictable rate structure will render us unable to influence our client's long-range marketing budget planning. We need a predictable structure, to ensure predictable volumes, therefore allowing us to continue to invest appropriately in our direct marketing channel.

Increasing Marketing Mail postage rates above the CPI CAP will force mail volumes to continue to decline. Clients have fixed budgets, and the impact of a rate hike will only result in lower mail volumes, which in turn will not deliver the mail density and cost efficiencies the USPS desires. With new emerging technology channels having a lower cost per impression, we are constantly having to battle for direct mail budget, leaning on cost per conversion (return on investment per consumer transaction) being lower for direct mail. The desire to use Marketing Mail will diminish, especially if Marketing Mail rates increase beyond a profitable ROI for the marketer.

Recommendations to achieve increased revenue and decreased costs for the USPS

We fully understand the USPS' current financial concerns, and rather than penalize your industry clients and partners, we would like to put forth solutions to consider:

- Hold or lower postage rates to maintain or drive Marketing Mail volumes through your fixed cost facilities for a profitable result.
- Recognize direct mail channel value
- Increase rates above CPI within the Origin Entry categories only, encouraging more mailers to adopt work-share programs, further reducing the burden on USPS resources.
- Create a rate structure tier that allows for higher rates to rural routes/less mail saturation areas. The high cost of servicing a less-dense area can be offset by creating a new rate, while still adhering to the Universal Delivery statute.
- Eliminate all physical return processing for Marketing Mail, as well as First Class mail.
- Eliminate pre-funding of retiree health benefits and return to a pay-as-you-go method.
- Budget incentives to grow volumes for USPS (lower postage)

In closing, we strongly object to eliminating the CPI CAP, and we believe increasing rates above current cost drivers will be a death blow to the future of Marketing Mail as a relevant and viable marketing channel. The more you raise postage costs, the more volume is lost – lower mail volumes will kill the mail printing industry, which primarily operates on a high fixed cost business model.

USPS should seek to eliminate barriers to participation, utilization of the channel, and volume efficiencies. The proposed rulemaking will only result in continued declines in each of these areas, further reducing mail density and increasing your operating costs.

We appreciate the opportunity to express our opposition. We are a committed partner, willing to field any questions you may have.

Respectfully,
Dennis Dee

Senior Vice President of Print and Production Services
Epsilon